



Results for the year to 30 Sep 2004

Analyst briefing
10 Nov 2004

ARA Asset Management (Singapore) Limited

Disclaimer

This presentation is focused on comparing actual results versus forecasts outlined in the Fortune REIT Prospectus dated 28 Jul 2003. It should be read in conjunction with Paragraph 9 of Fortune REIT's financial results for the period 1 Jan 2004 to 30 Sep 2004 announced on MASNET.

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Summary

Summary

- ❖ **FRT continues to out-perform forecasts**
 - **Income available for distribution 5.7% above forecast**
 - rental revenue 2.7% above forecast
 - **Hong Kong's economy still strong, growth easing**
 - retail sales showing broad-based growth
 - **Mall occupancies edging up**
 - Ma On Shan Plaza now at 98%
 - shopper traffic at malls rising
 - mall rentals upward pressure continue to be felt
 - **Acquisitions continue to be targeted**
 - emphasis is on yield-accretion plus growth potential

Financial highlights

Trust income

❖ Income available for distribution 5.7% above forecast

Fortune REIT results, year-to-Sep 2004

	Actual (HK\$'000)	Forecast ¹ (HK\$'000)	Var (%)
Revenue	173,493	168,986	2.7
Charge-out collections	51,313	59,562	(13.8)
Property operating costs ²	(65,236)	(70,716)	(7.7)
Borrowings costs	(14,243)	(20,157)	(29.3)
Profit before tax	145,327	137,675	5.6
Hong Kong tax	(25,428)	(24,093)	5.5
Net profit of property cos	119,899	113,582	5.6
Net profit of trust ³	112,108	106,195	5.6
Income available for dist'n	118,543	112,103	5.7

Source: ARA Asset Management (Singapore) Limited ("ARASL")

Notes:

1. Based on the same assumptions stated in the Prospectus dated 28 Jul 2003
2. Includes Manager's performance fee
3. Trust expenses include the Manager's base fee, trustee fees, and admin fees
4. Before Manager's performance fee

- Rental revenue 2.7% higher than forecast
 - led by MOSP and Household
- Costs 7.7% below forecast
 - utilities higher in Q3 vs Q2
 - cost-to-revenue at 27%⁴

Distribution yield

❖ Tax-exempt yield 5.4%; pre-tax yield 6.6%

FRT distribution, year-to-Sep 2004¹

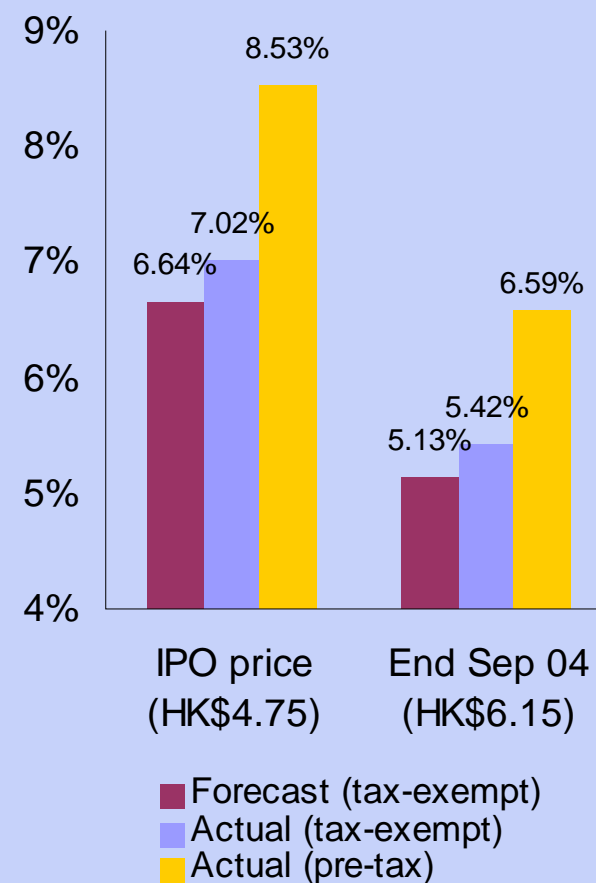
	Tax-exempt		
	F'cast ²	Actual	Pre-tax ⁶
DPU ³			
- year-to-Sep 04 (HK\$)	0.2360	0.2495	n.a.
Distribution yield ⁴			
- based on IPO price ⁵	6.64%	7.02%	8.53%
- based on 30/9/04 price ⁵	5.13%	5.42%	6.59%

Source: ARASL

Notes:

1. Fortune REIT pays its tax-exempt distribution semi-annually (for the half years ending Jun and Dec)
2. Based on the assumptions stated in the Prospectus dated 28 Jul 2003
3. Based on 475.2m units issued
4. Annualised
5. IPO price = HK\$4.75, 30/9/04 price = HK\$6.15
6. Before HK income taxes. This figure is shown solely to illustrate the yield before the impact of HK taxes on the Property Cos. It does not imply investors are eligible for any dividend tax credits

Distribution yield



Debt management

❖ Debt servicing below forecast, now 49% fixed

Fortune REIT interest expense, year-to-Sep 04

	Actual	F'cast ¹	Var
Borrowing costs (HK\$m)	14.2	20.2	(6.0)
Avg int. rate ²	1.96%	3.00%	-104 bps

Source: ARASL

Notes:

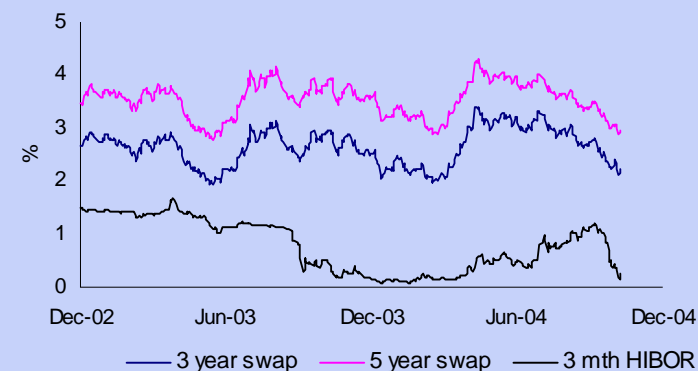
1. Based on the assumptions in the Prospectus dated 28 Jul 2003
2. Weighted by the relative amounts of fixed and floating debt

Fortune REIT debt profile

	Term	30/6/04 (HK\$m)	30/9/04 (HK\$m)	% of total
Revolving	1M	32	58	6
Floating	3M	550	430	45
Fixed	2Y - 3Y	350	470	49
Total		932	958	100

Source: ARASL

Hong Kong interest rates



Source: Bloomberg

- Interest expense HK\$6.0m below forecast
- 49% of debt now fixed
 - interest cost for 2004 comfortably below 3.0%

Balance sheet

❖ Book value currently at HK\$5.12

Fortune REIT balance sheet

	30 Jun 04 (HK\$m)	30 Sep 04 (HK\$m)	Ch (%)
Total assets	3,393	3,389	(0.1)
Total liabilities	(1,053)	(1,090)	3.5
Net assets	2,340	2,299	(1.8)
NAV per unit (HK\$) ¹	5.22 ²	5.12	(1.9)
LT debt	(932)	(958)	2.8
Gearing (%) ³	27	28	3.7

Source: ARASL

Notes:

1. Net asset value excludes negative goodwill
2. Figure includes distributable income of \$0.17 paid on 28 Aug 2004
3. Total debt to Deposited Property

- **Gearing at 28%**
 - room for another \$228m (35% limit)
- **No distribution payout this quarter**
 - next distribution expected in Feb 05

Hong Kong economy

Economic growth

❖ Hong Kong's economy remains strong; easing in 2005 expected

Hong Kong economic indicators (%)

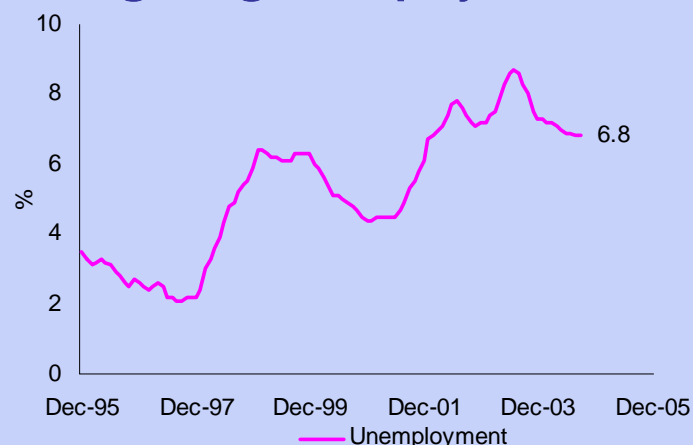
	2002	2003	2004E	2005F
Real GDP	1.9	3.2	7.3	4.6
CPI	-1.6	-1.9	-0.2	1.5
Nominal GDP	0.3	1.3	7.1	6.1
Retail sales (nom)	-4.1	-2.3	11.7 ¹	n.a.

Source: Consensus Economics (Sep 04), Bloomberg

Note:

1. Nine months to Sep over the same period in 2003

Hong Kong unemployment



Source: Bloomberg

- Economy strong, easing in 2005 expected
- Unemployment rate trending down
 - year end rate expected to be 6.6%
 - decrease mainly in retail trades and F&B
 - consumer confidence improving
- Retail sales remain strong
 - 4Q04 expected to be boosted by China National Day/Christmas

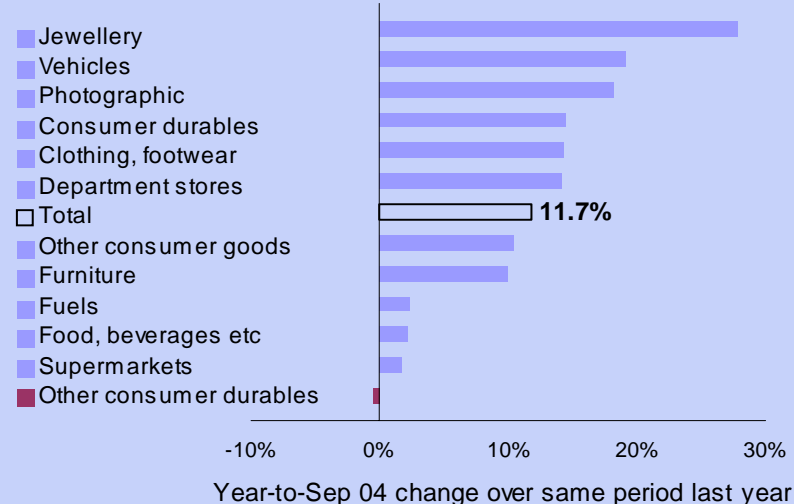
Retail sales

❖ Retail sales increase is broad-based

Hong Kong retail sales (nominal)



HK retail sales by category



Source: Bloomberg

- Across the board increase in retail sales
 - +11.7% in 9M 2004 over 9M 2003
 - luxury goods sales still strong
 - consumer durables growth reflects consumer confidence
- Consumer sentiment lifted by
 - falling unemployment trend
 - rising property market

Asset performance

The Metropolis Mall

❖ Higher occupancy and promotions lifting shopper traffic

- Committed occupancy at 84%
 - leasing interest remains strong
 - increase in F&B as planned
- Lifestyle Concept Store opened in early Oct
- Mall traffic up 19% since Dec 03
- Promotional events
 - series of events lined up for Christmas/New Year
- KCRC East Rail Extension has opened

Singing and Dancing Competition



Other Summer Events



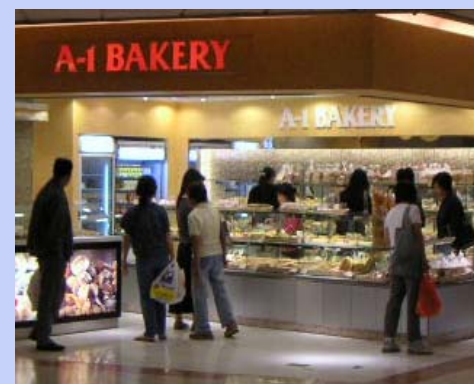
Lifestyle Concept Store



Ma On Shan Plaza

❖ Mall occupancy edging up as KCRC station opening nears

- Committed occupancy now at 98%
 - increase from 95.9% in Jun
- Fashion chains have moved in
 - Baleno, Blue Star Exchange
- Mall shopper traffic up 58% since Dec 03
- Opening of KCRC station
 - target to open by end-2004



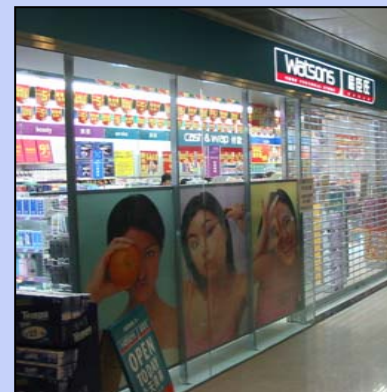
Enhancing the value of the Malls

- ❖ Value creation: continuous improvements to enhance revenue
 - Improvement of tenant profile

Ma On Shan Plaza



The Household Center



Jubilee Court Shopping Centre



Enhancing the value of the Malls (cont'd)

❖ Value creation: continuous improvements to enhance revenue

- Enhancement of shopper traffic
- Optimisation of rentable area

The Metropolis Mall



Smartland



Ma On Shan Plaza



Portfolio occupancy

❖ Portfolio occupancy continues to rise

Committed occupancy (%)

	Dec 03	Jun 04	Sep 04
Metropolis Mall	59.0	85.6	84.3
Ma On Shan Plaza	95.7	95.9	98.0
Household Center	97.3	98.1	97.6
Smartland	95.6	97.1	98.4
Jubilee Court	98.1	93.1	92.9
Portfolio	84.4	92.4	92.7
No. of tenants	390	403	423

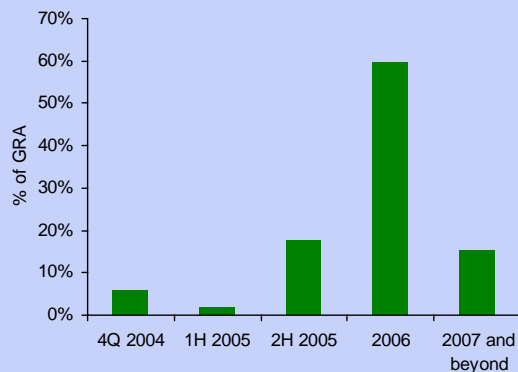
Source: ARASL

- **Metropolis**
 - leasing remains active
- **Ma On Shan Plaza**
 - committed occupancy at **98%**
- **Others**
 - strong leasing activity at Smartland
 - stable occupancies for Household and Jubilee

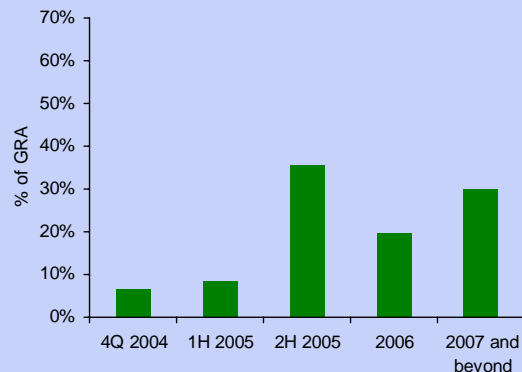
Portfolio expiry profile

❖ Well spread out expiry profile

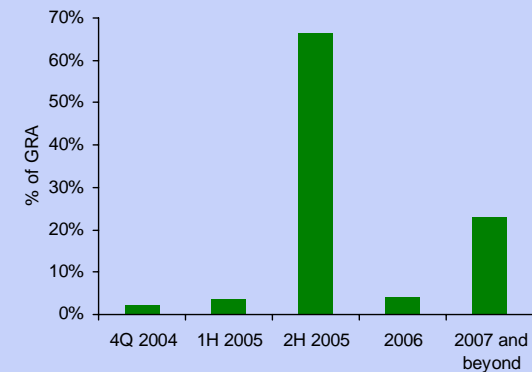
Metropolis Mall



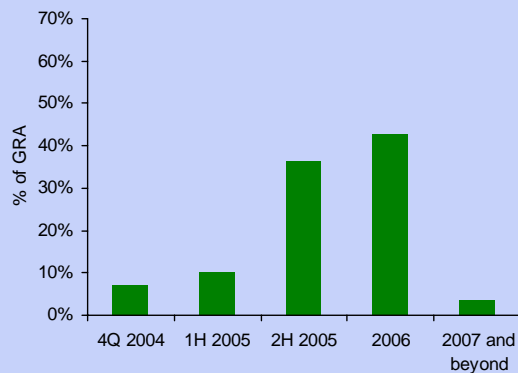
Ma On Shan Plaza



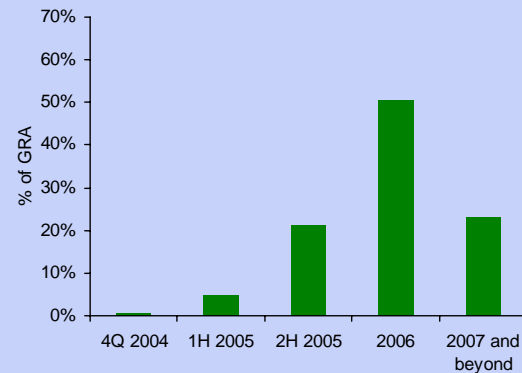
Household Center



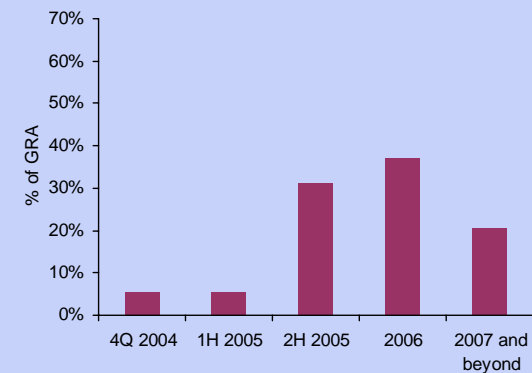
Smartland



Jubilee Court



Portfolio



Source: ARASL

Tenant trade mix

❖ Trade mix remained diversified

By Gross Rentable Area (%)

	Metro- polis Mall	Ma On Shan Plaza	House- hold Center	Smart- land	Jubilee Court	Port- folio
Banking & Real Estate Services	15.3	7.8	0.5	1.3	2.1	7.9
Community Services	0.0	0.2	0.0	10.5	19.2	4.5
Electronics, IT	0.7	4.9	0.4	0.8	0.3	1.9
Fashion & Shoes	4.4	8.0	1.0	3.5	0.0	4.3
Food & Beverage, Food Court	28.1	26.6	21.2	26.6	16.2	24.9
Gifts & Specialty, Books, Hobbies, Toys, Jewellery	4.7	5.5	2.5	3.4	0.2	3.8
Homeware & Home Furnishings	15.8	4.5	0.3	0.5	0.0	6.6
Leisure & Entertainment, Sports & Fitness	6.8	7.4	0.0	8.4	0.0	5.4
Others	3.0	0.8	3.6	2.8	4.8	2.7
Services, Education	3.7	14.1	23.1	14.6	44.1	16.6
Supermarket	1.9	18.2	44.9	26.0	4.8	14
Wet Markets	0.0	0.0	0.0	0.0	1.2	0.2
Vacant	15.6	2.0	2.5	1.6	7.1	7.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: ARASL

Rentals

❖ Avg passing rental up 10.9% since Dec 03

Portfolio rents¹

	Avg. passing rental (HK\$ psf/mth)	Qtrly ch. (%)	Committed occupancy (%)
Sep 2003	14.79	0.3	83.4
Dec 2003	15.01	1.5	84.4
Mar 2004	15.19	1.2	86.2
Jun 2004	16.73	10.1	92.4
Sep 2004	16.65	- 0.5	92.7

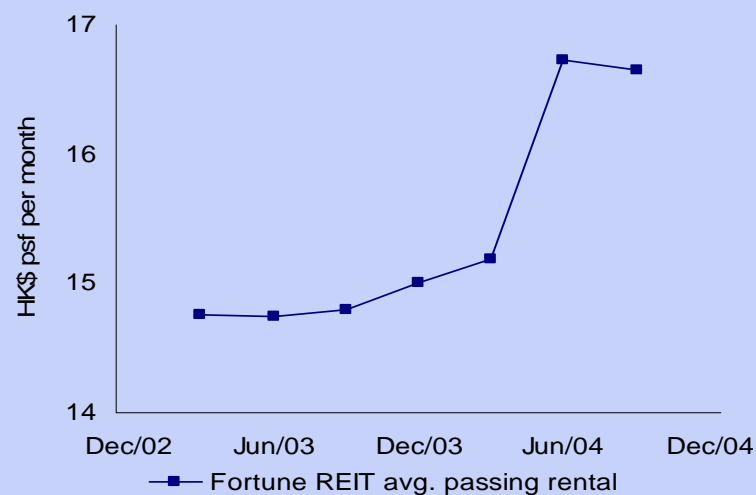
Source: ARASL, Prospectus dated 28 Jul 2003

Notes:

1. Base rental and other income (excluding charge-out collections)

- **Weighted avg increase in rentals of renewals negotiated in year-to-Sep 04 up 4.1%**

Portfolio passing rents

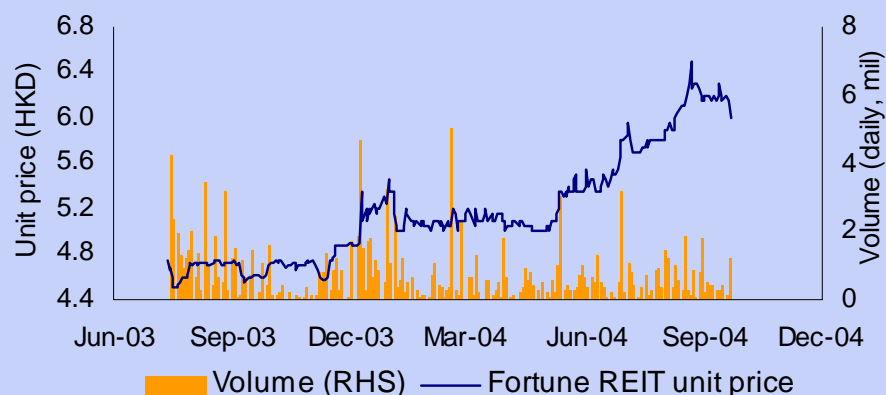


Source: ARASL, Prospectus dated 28 Jul 2003

Strategy

Unit activity

Unit price and volume¹



Source: ARASL, Bloomberg

Notes:

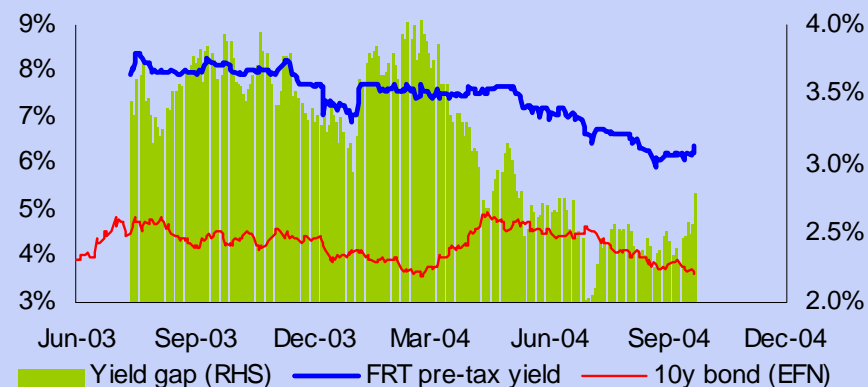
- As at 21/10/04. Volume chart excludes first day of trade

Relative price performance

	Dec 03	Sep 04	% ch
Fortune REIT (HK\$)	4.90	6.15	25.5
Hang Seng Index	12,576	13,120	4.3
Straits Times Index	1,765	1,985	12.5

Source: ARASL, Bloomberg

Yield gap²



Source: ARASL, Bloomberg

Notes:

- As at 21/10/04. The pre-tax yield is based on assumptions and income forecasts stated in the Prospectus dated 28 Jul 2003

- FRT outperforming broad indices**

Strategy

- ❖ **Occupancy and rental improvements; acquisitions planned**
 - **Metropolis Mall shopper traffic increasing**
 - occupancy now at 84%, shopper traffic increasing
 - intention to step up leasing of remaining 16%
 - **Ma On Shan Plaza asset enhancement**
 - positioned to take advantage of forthcoming KCRC link
 - some tenant relocations within mall
 - **Cost rationalisation to continue**
 - long term target: cost-to-revenue of 25%
 - **Acquisitions**
 - potential deals being targeted

In sum

- ❖ **ARASL confident of meeting 2004 forecast**
 - **Fortune REIT's distributable income exceeded forecast by 5.7% in year-to-Sep 04**
 - **Hong Kong retail sales strength continuing**
 - **Occupancy at Fortune REIT's portfolio edging up**
 - upward pressure on rentals continue to be felt
 - shopper traffic rising at malls
 - **Interest rate rise not likely to have significant impact**
 - **Acquisitions being targeted**

Contact

ARA Asset Management (Singapore) Limited

#09-01 Suntec Tower 2
9 Temasek Boulevard
Singapore 038989
Tel: +65 6835 9232
Fax: +65 6835 9672

John Lim
CEO

johnlim@ara.com.hk

Yung Yu-Ming, CFA
Fund Manager

yumingyung@ara.com.hk

Unit 5507, 55/F The Center
99 Queen's Road Central
Hong Kong

Cheryl Seow, CPA
Finance Manager

cherylseow@ara.com.hk

Tel: +852 2169 0928
Fax: +852 2169 0968

www.fortunereit.com